

New Westminster, B. C.
July 22, 1966.

President.

A. F. ARMSTRONG,

On behalf of the Board,

satisfactory rate of profit and income per share.

While the costs of wages, some purchased materials, distribution, and manufacturing services, will be up sharply in the second half, prospects appear favourable for a continuation during the remainder of the year of the first half trend to a more

Consumer demand for the company's convenience and sanitary paper products continues to grow. We expect sales volume in the second half of the current year to be at levels comparable to that achieved in the first six months.

of 1966 amounted to 80 cents compared to 66 cents in the first half of last year.

Income before taxes increased 24.6 per cent and income after taxes increased 21.1 per cent compared with the first half of 1965, largely as a result of improved manufacturing efficiencies derived from the substantial investments made in new facilities and equipment over the past several years and from the higher sales volume. Net income per share in the first half

for all of the sales increase.

The company's trademarked consumer and industrial product lines—particularly in the company's newer products—accounted

an increase of 6.4 per cent over the comparable period of 1965.

Net sales in the first half of 1966 were at record levels in both physical volume and dollars, amounting to \$13,427,506—

TO THE SHAREHOLDERS OF SCOTT PAPER LIMITED



SCOTT PAPER LIMITED

STATEMENT OF OPERATIONS

The First Six Months of 1966

Subject to audit and year end adjustments



SCOTT PAPER LIMITED

Statement of Income for the First Six Months of 1966 (With corresponding amounts for 1965)

	<u>First Half 1966</u>	<u>First Half 1965</u>
Sales, less discounts and allowances	<u>\$13,427,506</u>	<u>\$12,619,913</u>
Expenses:		
Cost of products sold (Note 1)	9,003,814	8,851,755
Marketing, general, administrative and development expenses	<u>3,730,939</u>	<u>3,212,199</u>
	<u>\$12,734,753</u>	<u>\$12,063,954</u>
Income before taxes	\$ 692,753	\$ 555,959
Provision for taxes on income (Note 2)	<u>50,000</u>	<u>25,000</u>
Income after taxes for the period	<u>\$ 642,753</u>	<u>\$ 530,959</u>
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Income per share after taxes (Note 2)	\$.80	\$.66
Dividend paid per share40	.40
Number of common shares outstanding	800,000	800,000

NOTES:

- (1) Cost of products sold includes depreciation of \$526,466 for the first six months of 1966 compared with \$474,047 for the first six months of 1965.
- (2) The company continued its policy of claiming maximum capital cost allowances available for determining income taxes payable. This substantially has reduced the tax liability for 1965 and 1966.